

## Message Text

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ACTION EA-14

INFO OCT-01 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-03 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-03 INR-11 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 PA-04 PRS-01 USIA-15 FEA-02 INT-08 SCI-06 L-03

H-03 DRC-01 /174 W

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P R 120335Z SEP 74

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC PRIORITY 5856

INFO AMCONSUL HONG KONG

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EO 11652: N/A

TAGS: EFIN, IMF, KS

SUBJECT: USG SUPPORT FOR ROKG EFFORT SECURE LARGER IMF OIL  
CREDIT FACILITY

REF: A. SEOUL 5807 B. SEOUL 4905 C. SEOUL 4616

HONG KONG FOR REGFINATT

1. SUMMARY: ROKG HAS REITERATED EARLIER REQUEST  
FOR USG SUPPORT FOR ITS EFFORT TO SECURE LARGER IMF  
OIL CREDIT FACILITY. ISSUE HAS TAKEN ON ADDED  
SIGNIFICANCE FOR ROKG IN VIEW LATEST BOP DATA,  
WHICH INDICATE KOREA'S NEAR-TERM EXTERNAL FINANCING  
REQUIREMENTS WILL BE LARGER THAN PREVIOUSLY ANTICI-  
PATED. END SUMMARY

2. MINISTRY OF FINANCE (MOF) HAS REITERATED TO  
EMBASSY ITS EARLIER REQUESTS FOR USG SUPPORT FOR  
ROKG EFFORT TO SECURE LARGER IMF OIL CREDIT FACILITY  
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AT SEPTEMBER 16 REVIEW (SEE REF B). AS PART OF THIS

EFFORT, GOVERNOR OF BANK OF KOREA, KIM, SUNG WHAN, IS DUE ARRIVE WASHINGTON SEPTEMBER 11 FOR PRIOR CONSULTATIONS WITH IMF OFFICIALS AND REPS OF KEY IMF MEMBER COUNTRIES.

3. MOF HAD BEEN PLANNING CONCENTRATE ON SECURING AMENDMENT TO FORMULA TO GUARANTEE MEMBERS ACCESS EQUIVALENT TO 50 PER CENT OF ACCESS AS DETERMINED BY IMF FORMULA BEFORE 75 PER CENT QUOTA RESTRAINT APPLIED. THAT STRATEGY WAS PREDICATED ON BELIEF THAT "CUT-OFF" AMENDMENT HAD BEST CHANCE OF GAINING APPROVAL. HOWEVER, MOF HAS RECEIVED COMMUNICATION FROM BYANTI KHARMAWAN, INDONESIAN REGIONAL DIRECTOR, INDICATING THAT IMF STAFF NOW INCLINED FAVOR "SUI GENERIS" EXCEPTION FOR ROKG PREVIOUSLY SOUGHT. KHARMAWAN HAS RECOMMENDED THAT ROKG RESERVE DECISION ON WHETHER TO FOCUS EFFORTS ON ONE OR THE OTHER OF ABOVE APPROACHES UNTIL HE ABLE OBTAIN FURTHER SOUNDING.

4. ISSUE HAS TAKEN ON ADDED SIGNIFICANCE FOR ROKG IN VIEW LATEST BALANCE OF PAYMENTS DATA, WHICH INDICATE LARGER NEAR-TERM EXTERNAL FINANCING REQUIREMENTS THAN PREVIOUSLY ANTICIPATED. BANK OF KOREA'S PRELIMINARY FIRST HALF DATA SHOW VISIBLE TRADE DEFICIT OF DOLS 795 MILLION AND CURRENT ACCOUNT DEFICIT OF DOLS 805 MILLION. BOTH DEFICITS ABOUT 100 MILLION HIGHER THAN HAD BEEN SUGGESTED IN ESTIMATES BASED ON PARTIAL DATA (SEE REF C, AIRGRAM FOLLOWS).

5. ROKG HAS NOT AS YET SETTLED ON ANY OFFICIAL REVISION OF FULL YEAR BOP ESTIMATES, BUT PROSPECTS FOR SECOND HALF DECIDEDLY MORE PESSIMISTIC NOW THAN THEY APPEARED TO BE FEW MONTHS AGO. WHILE IMPORT LICENSING TOTALS IN RECENT MONTHS TEND TO SUBSTANTIATE EXPECTATIONS THAT IMPORTS WILL LEVEL OFF IN FINAL SIX MONTHS, IT DIFFICULT TO SEE HOW FINAL TOTAL CAN BE MUCH UNDER DOLS 6.1 BILLION (BOP BASIS) OR ABOUT \$500 MILLION MORE THAN ORIGINAL ESTIMATE. ANTICIPATED STRENGTHENING OF EXPORT DEMAND, MEANWHILE, HAS SO LIMITED OFFICIAL USE

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FAR FAILED TO MATERIALIZE. IN VIEW DISCOURAGING PACE OF EXPORT LETTER OF CREDIT ARRIVALS IN RECENT MONTHS, IT APPEARS UNLIKELY THAT SECOND HALF EXPORT TOTAL WILL BE MUCH BETTER THAN DOLS 2.27 BILLION RECORDED IN FIRST HALF.

6. TRADE PERFORMANCE SUGGESTED ABOVE WOULD PRODUCE FULL YEAR CURRENT ACCOUNT DEFICIT ON ORDER OF

DOLS 1.5 BILLION, AS COMPARED TO ONE BILLION DOLLAR DEFICIT FORECAST IN 1974 OVERALL RESOURCES BUDGET. ALSO, EARLIER ASSUMPTIONS THAT 1975 DEFICIT WILL BE UNDER ONE BILLION DOLLARS NOW APPEAR DOUBTFUL.

7. WHILE ROKG OFFICIALS OBIOUSLY DISAPPOINTED WITH RECENT TRENDS IN TRADE PERFORMANCE, THEY STRESS THAT THEY STILL SEE CURRENT DIFFICULTIES AS INTERIM SITUATION UNTIL ECONOMIES OF MAJOR TRADING PARTNERS RECOVER FROM CURRENT STAGNATION. EMBASSY BELIEVES THIS PROFESSED CONFIDENCE IN LONGER-TERM OUTLOOK CONTINUES TO BE WARRANTED, BUT PROBLEM OF FINDING FINANCING TO SEE ECONOMY THROUGH INTERIM PERIOD IS OBVIOUSLY MAGNIFIED. IMPROVED ACCESS TO OIL CREDIT FACILITY WOULD BE PARTIAL SOLUTION. AS EMBASSY HAS PREVIOUSLY INDICATED, IT CONSIDERS THAT ROKG HAS STRONG CASE FOR SOME SORT OF RELIEF IN THIS INSTANCE AND RECOMMENDS USG SUPPORT FOR ROKG EFFORTS ON THIS ISSUE.  
ERICSON

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## Message Attributes

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